

LS POWER

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Order No. 1000's Impact On The
Intersection of PJM's Regional
Planning Obligations And
Supplemental Project Planning

Current Finalized PJM Business Practice Manual 14B Language (page 5) Is Vague But Dives Into the Intersection of Order No. 1000 and Order No. 890

- “As part of the review of Supplemental Projects, PJM will determine if the Supplemental Projects might eliminate a baseline violation identified in the RTEP Process which may be in progress. PJM will also apprise the relevant Transmission Owner if an RTEP Project is identified which might alleviate the need for the Supplemental Project. Any changes to the need associated with the Supplemental Project or baseline project will also be discussed with the PJM Stakeholders.”

Main Motion Proposal

- A Vague Answer is Not Sufficient. The Right Answer on how to Handle the Situation is what keeps being referred to as “The Intersection of Order No. 890 and Order No. 1000”
- There are legal issues behind the “answer” on how to handle as discussed at last week’s Special PC. **This presentation will discuss.**
- Language Proposed by LS Power:
 - Delete the language in the Finalized BPM (previous slide)
 - Add:
 - “As part of the review of Supplemental Projects, PJM will determine if a proposed Supplemental Project meets the Operating Agreement Definition of Supplemental Projects. Proposed Supplemental Projects not meeting the Operating Agreement Definition of Supplemental Projects will not be included in the RTEP.
 - As part of the review of Supplemental Projects, PJM will determine whether an identified baseline violation, eligible congestion driver, or public policy need may eliminate the need for the Supplemental Projects, in which case the Supplemental Project will not be included in the RTEP.
 - PJM will also apprise the relevant Transmission Owner if an RTEP Project is identified which might alleviate the need for a Supplemental Project. Any changes to the need associated with a Supplemental Project will also be discussed with the PJM Stakeholders.”

Order No. 890 & Order No. 1000

- In much of the discussion regarding the intersection of Supplemental Project Planning, the focus has been on the requirements of Order No. 890.
- LS Power does not intend to rehash Order No. 890 requirements. Instead, we offer the following to note the additional requirements that Order No. 1000 places on regional planning to the extent those requirements impact the intersection of Regional Planning and Supplemental Project Planning.
- PJM BPM relating to the order 890/ 1000 intersection must be consistent with Order 1000 and PJM OA.

Order No. 1000 added requirements beyond Order No. 890

- In Order No. 1000 FERC held that “the existing requirements of Order No. 890 are inadequate to ensure that public utility transmission providers in each transmission region, in consultation with stakeholders, *identify and evaluate transmission alternatives at the regional level that may resolve the region’s needs more efficiently or cost-effectively than solutions identified in the local transmission plans of individual public utility transmission providers.*” Order No. 1000 at P 78 (emphasis added)
- FERC was “concerned that public utility transmission providers may not adequately assess the potential benefits of alternative transmission solutions at the regional level that may meet the needs of a transmission planning region more efficiently or cost-effectively than solutions identified by individual public utility transmission providers in their local transmission planning process.” Order No. 1000 at P 81.

Order No. 1000 added requirements beyond Order 890 (cont.)

- “Through the regional transmission planning process, public utility transmission providers **will be required to evaluate**, in consultation with stakeholders, alternative transmission solutions that might meet the needs of the transmission planning region more efficiently or cost-effectively than solutions identified by individual public utility transmission providers in their local transmission planning process.” Order No. 1000 at P. 148.
- “If the public utility transmission providers in the transmission planning region . . . determine that an alternative transmission solution is more efficient or cost-effective than transmission facilities in one or more local transmission plans, then the transmission facilities associated with that more efficient or cost-effective transmission can be selected in the regional transmission plan for purposes of cost allocation.” *Id.*

PJM's Order No. 1000 Compliance Filing

- PJM's initial Order No. 1000 compliance filing acknowledged the requirement to look at regional alternatives to local projects, specifically citing the requirements of Order No. 1000 to evaluate regionally the displacement of locally identified transmission facilities.

PJM Order No. 1000 Compliance Filing, filed October 25, 2012 at 3, footnote 9

FERC reiterated the regional planning requirement in ruling on PJM's Order No. 1000 Compliance

- FERC reiterated that through the regional planning process “public utility transmission providers must evaluate, in consultation with stakeholders, alternative transmission solutions that might meet the needs of the transmission planning region more efficiently or cost-effectively than transmission solutions identified by individual public utility transmission providers in their local transmission planning process.” *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 (2013) at PP 35, 56

Order No. 1000 Compliance Order (cont.)

- “65. We find that the regional transmission planning process specified in PJM’s October 25 Filing complies with these requirements of Order No. 1000. The proposed *process allows PJM to evaluate*, in consultation with stakeholders, alternative transmission solutions that might meet the transmission needs of the transmission planning region *more efficiently or cost-effectively than solutions identified by individual public utility transmission providers in their local transmission planning processes*. Through the RTEP process, PJM looks at both regional and subregional transmission needs and solutions, and evaluates potential solutions to determine those solutions that meet the needs *of the region* most efficiently. In addition, the regional transmission planning process culminates in the RTEP, *a regional transmission plan that reflects PJM’s determination of the set of transmission facilities that more efficiently or cost-effectively meet the transmission needs of the PJM Region.*”

The Regional Planning Requirement Supports FERC's Goal To Consider More Projects Thus Providing Ratepayers With Needed Information

- “the reforms adopted in this Final Rule are designed to work together to ensure an opportunity for more transmission projects to be considered in the transmission planning process on an equitable basis and increase the likelihood that transmission facilities in the transmission plan will move forward to construction.” Order No. 1000 at P42.
- Information produced as part of the regional planning process ensures that stakeholders can “understand the benefits that they will receive from a transmission facility in a regional transmission plan.” Order No. 1000 at P 150.

The Operating Agreement Must Be Read As Supporting PJM's Compliance Filing And FERC's Ruling

- The Operating Agreement and other PJM documents reflecting implementation of Order No. 1000 must be read and interpreted in a manner to ensure that PJM is fully authorized to control the projects that are included in the RTEP, both regionally planned and locally planned.
- A holistic reading of Schedule 6 of the Operating Agreement does just that by confirming that PJM has broad authority as to what is included in the RTEP, and when.

Operating Agreement Provisions

- Section 1.1: “This Regional Transmission Expansion Planning Protocol shall govern the process by which the Members *shall rely upon the Office of the Interconnection to prepare a plan for the enhancement and expansion of the Transmission Facilities* in order to meet the demands for firm transmission service, and to support competition, in the PJM Region.”
 - This provision makes it clear that it is PJM that controls the RTEP.
 - By referencing ‘enhancements and expansions’ rather than projects types also evidences that PJM’s regional plan is required to plan for all ‘enhancements and expansions’ of transmission facilities, in whatever form.

Operating Agreement (cont.)

- Section 1.3 of the Operating Agreement identifies the intersection of the RTEP and the Local Plan.
 - The Local Plan is defined by the Operating Agreement to include both Supplemental Projects “and Subregional RTEP projects developed to comply with *all applicable reliability criteria, including Transmission Owners’ planning criteria* or based on market efficiency and in consideration of Public Policy Requirements.”
 - “Transmission Owners’ planning criteria” referenced here does not differentiate between Transmission Owner planning criteria filed with the Federal Energy Regulatory Commission pursuant to Form 715 and Transmission Owner criteria not filed with FERC.
 - When the Operating Agreement intends to refer only to Form 715 criteria, it specifically designates the criteria as such. (See, e.g., Section 1.2(e)).

Operating Agreement (cont.)

- Operating Agreement Section 1.4 addresses the “Contents of the Regional Transmission Expansion Plan.” Supplemental Projects, as a discrete category, are nowhere to be found in that section of the Operating Agreement.
 - Section 1.4(a) “The Regional Transmission Expansion Plan *shall consolidate the transmission needs of the region into a single plan . . .*”
 - Section 1.4(b) “The Regional Transmission Expansion Plan shall reflect, consistent with the requirements of this Schedule 6, *transmission enhancements and expansions*; load forecasts; and capacity forecasts, including expected generation additions and retirements, demand response, and reductions in demand from energy efficiency and price responsive demand for at least the ensuing ten years.” (emphasis added)

Operating Agreement (cont.)

- Section 1.4 (cont)
 - Section 1.4(d) “The Regional Transmission Expansion Plan shall (i) *avoid unnecessary duplication of facilities*; (ii) *avoid the imposition of unreasonable costs on any Transmission Owner or any user of Transmission Facilities*; (iii) take into account the legal and contractual rights and obligations of the Transmission Owners; (iv) *provide, if appropriate, alternative means for meeting transmission needs in the PJM Region*; (v) provide for coordination with existing transmission systems and with appropriate interregional and local expansion plans; and (vi) strive for consistency in planning data and assumptions that may relieve transmission congestion across multiple regions. (emphasis added)
- To ensure consistency with FERC’s acceptance of PJM’s Order No. 1000 Compliance Filing, Section 1.4 should be read as requiring PJM, in converting the “transmission needs of the region into a single plan,” to determine the projects that will be included in the plan, including whether a regional solution is the more efficient or cost-effective solution to needs identified in a local plan.

Operating Agreement (cont.)

- Section 1.5 of Schedule 6 addresses the “Procedure for Development of the Regional Transmission Expansion Plan.”
 - Section 1.5.1 identifies the need for “Commencement of the Process.” Included among the reasons to commence the regional process is “(v) expansion of the Transmission System is proposed by one or more Transmission Owners”
- Section 1.5.3 addresses the scope of studies PJM is to undertake, which are not restricted to just regional matters.
 - Section 1.5.3 specifically notes that “the Office of the Interconnection shall not limit its analyses to bright line tests to identify and evaluate potential Transmission System limitations, violations of planning criteria, or transmission needs.”
 - “Office of the Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Transmission System needs and *the need for transmission enhancements or expansions.*”

Operating Agreement (cont.)

- Section 1.5.6 provides that the “Office of Interconnection *shall be responsible for the development of the Regional Transmission Expansion Plan* and for conducting the studies, including sensitivity studies and scenario analyses *on which the plan is based.*”
- We believe that reading each of these provisions in light of the PJM Order No. 1000 Compliance Filing and FERC’s acceptance of that filing, requires confirmation that the provisions permit PJM full control over the RTEP, including potential to address locally identified needs through regional projects.